



2017 RETAIL TRENDS REPORT

Why Human Interaction and
the In-Store Experience Still Matter

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INTRODUCTION

As technology continues to shape the retail experience, even the most traditional brands must adapt. Take a brand like Walmart, for instance. Five years ago, Walmart was far from tech-savvy. From its classic smiley faces to its friendly in-store greeters and impressive Rollback deals, the discount retailer has been more known for low prices than innovation.

But today, Walmart is making waves for experimenting with facial recognition technology¹ and tapping into voice commerce.² Walmart's progression from traditional marketing strategies to technology-driven efforts may seem unexpected, but for anyone familiar with the evolving needs and habits of today's shopper, it should come as no surprise.

To say that the retail customer has changed is an understatement, and Walmart is simply responding to these massive shifts in an attempt to stay competitive. Customers' access to information, desires for personalization and immediacy, and cravings for true connections are up-ending millennia-old business models. From the storefront to mobile browsing and social reviews, technological and cultural changes are combining to accelerate this change, bringing even some of the most legendary brands to their knees.³

Born-digital retailers like Amazon have many advantages in this new sales environment. Instead of letting retail's past define it, the ecommerce giant has played a large role in redefining the industry's future. Thanks to Amazon, speedy delivery, superior personalization, and even advancements

like voice technology have all become (or are becoming) central to the retail experience — both online and in person. And until recently, it looked as if they might displace more traditional players without much trouble because of it.

TO SAY THAT THE RETAIL CUSTOMER HAS CHANGED IS AN UNDERSTATEMENT.

Today, however, the story has become more complex and reflective of the integrated world we live in — a place where digital and physical have distinct and complementary strengths. The mundane is being automated and accelerated, artificial intelligence (AI) is powering more meaningful person-to-person interactions, and the human appetite for sensory experiences is as strong as ever. This gives traditional retail brands an opportunity to adapt and better compete with their digitally savvy competitors. However, if retailers are irresponsible with their use of new technologies, they'll fall even further behind.

InMoment's 2017 Retail Trends Report will help retailers better understand the multilayered customer experience (CX) and how to blend digital and human touch. Its findings stress the urgency in not only engaging in conversations with customers, but mining and acting on the insights from those conversations.

Key Findings

Many of retail's long-awaited battles like in-store vs. digital commerce and human vs. machine are coming to a head. This study reveals that more than ever, consumers want meaningful experiences — both digital and in person.

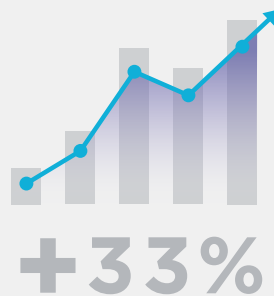
Like other studies, our research found that digital-exclusive retailers are seeing the highest customer satisfaction ratings (54 percent) compared across other industries. Our findings also indicate, however, that human touch still plays a major role in this era of e-tailers and automation.

Reasons Consumers Still Shop In-Store

Retailers that are concerned with in-store sales should look to experience. Consumers rated location (63 percent), previously good customer experiences (33 percent), and overall quality of products and services (28 percent) as the top three reasons they shop in-store.

In an open-ended response, the majority of consumers say they shop in store for a sense of immediate gratification and the ability to confirm quality. Conversely, a majority of consumers say they shop online for convenience.

Positive Interactions With Staff Increase Satisfaction

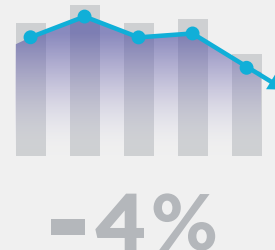


A positive experience with staff on average increases a customer's satisfaction across industries by 33 percent. This is particularly relevant to the fashion industry, where a positive experience with staff increases a fashion customer's satisfaction by 73 percent, the highest of all industries.

More than half of consumers (54 percent) say they value staff who are knowledgeable of products and services, recognize past purchasing patterns and needs and are aware of loyalty membership status. This number rises to 65 percent for Millennials.

Satisfaction With Staff In Multi-Department Stores Declining

Year-over-year, multi-department stores saw a 4 percent decrease in satisfaction with staff interactions, the biggest decline across industries.



Personalized Advertising Isn't Enough

Just 13 percent of consumers say they see value in personalized advertising. This number falls to 10 percent for millennials.

Brick-and-Mortar and Ecommerce:

COMPLEMENT, DON'T COMPETE

In the beginning, established brick-and-mortar retailers built digital shopping sites simply because they couldn't afford not to. Creating a seamless customer experience wasn't on anybody's radar.

But as technology progressed and websites became easier — even fun — to navigate, consumers became frustrated with most retailers' slow-loading pages and poor, inconsistent product information (among a host of other roadblocks). It became painfully clear for many that that simply participating in the ecommerce game was not enough.

The days of successful low-quality ecommerce sites are long gone. Commerce has reached the point where elegant digital retail experiences are not just the norm, they serve as

a gold standard for customer experiences. The study confirms that first-to-market digital natives like Amazon are still enjoying the highest customer satisfaction scores (54 percent). The

digital storefronts for traditional sports and home improvement retailers, on the other hand, scored the lowest customer satisfaction levels.

SATISFACTION LEVELS FOR BRICK-AND-MORTAR STORES VS. DIGITAL STOREFRONTS

	STORE	ONLINE
Discount	45%	Data Not Available
E-tail Exclusive	Not Applicable	54%
Fashion	39%	41%
Home Improvement	46%	31%
Multi-Department	45%	41%
Sports	36%	32%
Technology & Entertainment	47%	42%
TOTAL	43%	45%

REASONS CONSUMERS SHOP IN STORE

33%

Previously Good
Customer Experiences

63%

Location

28%

Overall Quality of
Products & Services



Despite the early and steady progress of digital natives and dramatic declarations that they would kick brick-and-mortar to its deathbed, consumers are still shopping in-store. And the reasons are uniquely real-world. Physical proximity tops the list (63 percent of consumers say they shop in store because of location), while past experience and quality of products are other key components that keep brick-and-mortar shoppers coming back for more. One in three consumers say they shop in-store because of previously good customer experiences, and 28 percent say they do so because of overall quality of products and services.

The qualitative data gives us more information on what consumers enjoy about the in-person shopping experience. A majority of consumers mentioned the sense of immediate gratification (adding dimension to the “location” finding) and the ability to confirm quality that in-store shopping brings. In store, consumers said they value being able to see, touch, and

feel the products they want to purchase, decreasing the need to make returns down the line.

While traditional retailers continue to evolve toward a new way of doing business, some are faring better than others. Technology & entertainment brick-and-mortar retailers boast the highest customer satisfaction levels (46 percent), while fashion and sports brick-and-mortar retailers come in at the bottom.

**A DRIVING FORCE FOR
IN-STORE SHOPPING IS
THE ABILITY TO “SEE,
TOUCH, AND FEEL.”**

Opportunities

The average shoppers encompass very different mindsets when shopping digital vs. in store. When shopping online, consumers unsurprisingly cite convenience as their primary reason for doing so. While variety of selection also holds significance, product quality, on the other hand, is rarely mentioned according to our findings. This suggests that while consumers keep quality top of mind in store, it may not be a priority when shopping online.

Ecommerce retailers and brick-and-mortar retailers can certainly learn a thing or two from one another. Contrary to popular belief, ecommerce and brick-and-mortar needn't compete, even within the same company. By properly listening to what shoppers need both digital and in store, retailers on both ends of the spectrum (as well as retailers that have both presence in both worlds) can navigate the ever-changing landscape.

**ECOMMERCE AND BRICK-AND-MORTAR
NEEDN'T COMPETE, EVEN WITHIN THE
SAME COMPANY.**





While some e-tailers, like Amazon and Warby Parker, are attempting to find the best of both worlds by opening physical storefronts, adding an in-person, sensory dimension to their offering, most can't afford to take a step that dramatic. They can, however, strive to better convey the physicality of their products, digitally. This could mean 360-degree product photos, video demonstrations, incorporating customer testimonials, and more.

Conversely, brick-and-mortars should treat the rise of ecommerce as a signal to incorporate points of convenience whenever and wherever possible. Retailers from Target to Anthropologie have buy/reserve online, pick-up in-store. Brands could also explore more diverse payment methods, digital price matching, package tracking, and simpler returns — trademarks of the digital shopping experience.

To really understand what shoppers want at scale both online and in store, retailers engage in ongoing conversations and take action on the feedback they provide. Employees are another source of valuable information on staying current with customers' changing needs, and including them in the mix increases engagement and efficacy.

The Human Element

STAFF INTERACTION MAKES OR BREAKS THE IN-STORE CUSTOMER EXPERIENCE

The battle of human vs. machine is ongoing across several industries, but it's growing especially urgent within retail — both in store and online. From chatbots to actual robots,⁴ retailers aren't holding back from experimenting with artificial intelligence. But what do customers really want?

From this study, we know they aren't enamored by personalized marketing initiatives. And despite their adoration of e-shopping, other research⁵ shows ambivalence toward technologies like chatbots.

With adoption of new retail technologies accelerating at a breakneck speed, brands must take special care not to eliminate key human factors in the process.

Consider Amazon's recent acquisition of Whole Foods. This has, to say the least, shaken up both retail and grocery industries. Aside from price reductions, perhaps the most talked about aspect of the acquisition is how it will affect the customer experience. The big question on everyone's minds stems from the growing human vs. bot conversation: Will Whole Foods adopt an "Amazon Go" (digital-only) concept and eliminate sales associates in the process?

Our findings indicate that this may not be a great idea, not just for Amazon, but for any retailer. On average, a positive experience with staff increases a customer's satisfaction by 33 percent across all industries, indicating that the more positive staff interactions consumers have while shopping, the more positively they rate their overall experiences.

	Positive Staff Interaction (Satisfaction Levels)		Satisfaction Increase %
	Yes	No	
Discount	58%	42%	38%
Fashion	52%	30%	73%
Home Improvement	51%	43%	19%
Multi-Department	53%	43%	23%
Sports	44%	29%	52%
Technology & Entertainment	52%	42%	23%
TOTAL	51%	39%	33%

SATISFACTION LEVELS CLIMB WHEN CONSUMERS HAVE POSITIVE STAFF INTERACTIONS



While positive staff interaction universally boosts satisfaction, it impacts some industries more than others. Notably, a positive experience with staff increases a fashion customer's satisfaction by 73 percent, the highest among all industries. And for sports retailers, a positive interaction more than doubles a customer's satisfaction (52 percent).

When considering these industries, this isn't surprising. Choosing the right winter coat for your body shape, or selecting the right running shoe, for example, are decisions that benefit from a little professional consultation. Whether in need of expert product

knowledge or simply just a second opinion, even the smallest interaction with a sales associate can make or break a customer's experience.

Though still sizeable, home improvement customers were the least affected by a positive staff interaction with a 19 percent increase. While the study did not explore this finding more extensively, it may reflect a lack of adequately trained floor staff in a sector that requires a significant level of expertise.

The good news for home improvement stores? Year-over-year, that group, along with sporting goods brands saw

the largest increase in satisfaction with staff interactions (both up 3 percent versus a year ago). Multi-department stores, on the other hand, saw the biggest decline in satisfaction with a 4 percent decrease.

With department stores in such a fragile state, our data suggests these specific retailers can invest more in their sales associates to regain momentum. Knowledgeable, accessible employees are a key component in navigating the diversity of offerings, and ultimately delivering personalized in-store experiences that consumers value.



Opportunities

Like ecommerce vs. brick-and-mortar, there needn't be a battle between humans and machines.

Innovative, forward-thinking retailers may be tempted to invest more in automation, but smart brands understand that a positive, well-rounded customer experience still includes the human touch. Instead, both modes of interaction should be leveraged for their strengths, and in concert to deliver a memorable, loyalty-inspiring experience. And while machines will continue to become more essential to retailers' competitiveness, the role of the human is still vital in connecting with customers.

To ensure sales associates are delivering an experience that meets and exceeds expectations, retailers must train their employees to be engaged listeners and active participants in the customer experience. Whole Foods employees, for example, are known for a deep product knowledge and friendly demeanor that has defined the brand. Eliminating this human factor in its entirety would profoundly impact the value proposition.

On the other hand, using technology to augment human performance with personalized customer information, special offers, additional product background, and even local events, can elevate the person-to-person experience even further.

When it comes time to determine whether or not investing in a specific technology makes sense, retailers have to take a look at the needs of their individual sectors and customers. Flashy and emerging solutions aren't best for everyone, and doing things just because others do them isn't a smart investment strategy. At the end of the day, retailers have to listen to their own customers and employees and examine the needs of their business to inform the wisest choices.

Where Personalization Counts

When we hear the word “personalization” we’re quick to think of tailored emails or retargeted advertisements. But today’s consumers have very different expectations when it comes to personalization, and they go far beyond a digital campaign.

Our 2017 CX Trends Report findings already demonstrate the value customers see in in-store assistance, but when we break it down into the retail industry specifically, we found that making this assistance personalized is crucial. More than half of consumers (54 percent) say they value staff who are knowledgeable of products and services, recognize past purchasing

patterns and needs, and are aware of loyalty membership status. This applies to any customer/staff interaction; when a customer reaches out for staff assistance, whether in person or over the phone, he or she expects a sales associate to demonstrate strong knowledge of his or her recent interactions.

Along with strong customer knowledge, shoppers also expect staff members to have a vast understanding of products. One out of three consumers say they see value in staff members and/or digital applications understanding their needs. The same number see value when staff members make helpful recommendations on additional items.

Consider, again, the role of the Whole Foods employee. As “America’s Healthiest Grocery Store” the Whole Foods customer is more interested in product quality than your typical grocery store customer. They have specific questions on exactly what’s in a product, where it’s made, and so forth. Recognizing this call for transparency, Whole Foods must prepare its team to be ready with educated answers. Retailers across any industry must ensure that their employees have enough product knowledge to meet the needs of their typical customer persona, whatever that may be.

HOW AGE AND GENDER RANK PERSONALIZATION PREFERENCES

	AGE				GENDER		
	18-34	35-54	55+	Total	Female	Male	Total
Advertising	10%	13%	13%	13%	13%	13%	13%
Support	65%	53%	53%	54%	55%	53%	54%
Purchase	26%	34%	34%	33%	32%	34%	33%

Personalized support is appreciated across all age cohorts and among both males and females, but this number jumps to 65 percent for millennials. As digital natives themselves, millennials hold high standards for personalized experiences during the buyer's journey.

A millennial, for example, might want a sales associate to know that she shopped with a specific retailer five times in the past month, and likely wants to see that information reflected in a personalized shopping experience. This could be in the form of unique deals triggered by her long-time loyalty or product suggestions based on previous purchases. Conversely, a customer who is less familiar or comfortable with digital personalization might be more interested in foundational elements of the customer experience, such as the associate's friendliness.

MILLENNIALS RANK PERSONALIZATION DURING SUPPORT INTERACTIONS SIGNIFICANTLY MORE IMPORTANT THAN IN EITHER ADVERTISING OR PURCHASE JOURNEYS.

	AGE
	18-34
Advertising	10%
Support	65%
Purchase	26%

MILLENNIALS HOLD HIGH STANDARDS FOR PERSONALIZED EXPERIENCES DURING THE BUYER'S JOURNEY.



Though consumers see value in knowledgeable, supportive staff members and assistance during the purchase process, the same cannot be said about personalized advertising.

Only 13 percent of shoppers say they see value in personal marketing messages that include being addressed by name, offers related to products they enjoy, or special access to new products or services. When looking at millennials specifically, this number declines — only 10 percent say they see value in personalized advertising.

While personalized advertising can certainly be successful for brands, these findings aren't actually all that surprising. In recent years, research has found that millennials don't like the traditional "selling" approach and are especially turned off when personalized algorithms fail them (e.g. if a 21-year-old female gets pop-up ads for diaper bags because she recently purchased a gift for a baby shower).

When it comes to personalization, it's less about quick conversions and more about authenticity. Consumers want tailored interactions with their favorite retailers, and while re-targeted ads can serve as one component of this (if done correctly), the human element still proves invaluable in building solid customer relationships.

**WHEN IT COMES TO
PERSONALIZATION, IT'S
LESS ABOUT QUICK
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Key Takeaways

While retailers have many problems to tackle, improving the customer experience starts with getting on the same page about what shoppers want from this ever-evolving industry.

As our findings prove, this industry is not black and white. While ecommerce and brick-and-mortar each hold certain ideas to be true, when we look at them together we can debunk common myths and develop necessary solutions.

1

Myth No. 1: Convenience is king.

Fact: Convenience has its place, and it's not always first.

In the age of ecommerce giants like Amazon, it's proved difficult for more traditional brick-and-mortar retailers to compete. Digital-exclusive retailers are also performing best in terms of customer satisfaction.

Why? Because convenience is the No. 1 reason consumers turn to digital shopping, which isn't surprising considering today's "go-go-go" mentality. Our data suggests, however, that physical

stores still serve an important and distinct role in the retail customer experience. At the end of the day, consumers still want to be able to touch and feel many of the items they purchase before turning over their credit cards. Complementary of that finding, customers perceive product quality to be higher in-store vs. digital, driving them toward brick-and-mortar shops for those types of purchases.

2

Myth No. 2: Automation will replace employees.

Fact: Technology can enhance, but not replace, human interactions.

In the "battle" between human vs. machine, humans still have an advantage. Positive staff interactions can make the customer experience, and this rings especially true for fashion retailers.

Technology has the potential to create a more engaging retail experience, which means retailers

should focus on how technology and humans can work together instead of in opposition. Continued investment in hiring and supporting emotionally intelligent employees, and actively listening to their feedback on improving the customer experience, will enhance retailers' understanding of how to blend resources successfully.

3

Myth No. 3: Personalization means targeted campaigns.

Fact: Personalization must be authentic.

For the retail customer, personalization means so much more than a targeted ad campaign. When interacting with a brand, shoppers expect retailers to understand what they're looking for and, given their history, why they're looking for it. While marketers invest more every quarter in new ways to "personalize" their messages, customers value personalized interactions during sales and service moments far above advertisements. Brands must take a holistic approach, leveraging sales and

service touchpoints to build relationships and deliver value that really matters to customers. Only then will personalized marketing efforts feel authentic and become more effective.

Improving the retail customer experience starts with listening — not just to customers, but to employees as well. From there, retailers can put both feedback sources in conversation with one another to engineer solutions that work for all.

Methodology

InMoment surveyed more than 30,000 North American consumers to gain a better understanding of their shopping habits during the path to purchase, from their decision to visit the store to the in-store experience to their feelings post purchase. Results were weighted by official census data.

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